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RUSSIAN RESEARCH CENTER

INDUSTRIAL PRODUCTION FIGURES

Product	Prod. in 1st 10 months of 1987	1st 10 months of 1987 as % of same of 1986
Electricty (billion kw)	1,355	104%
Petroleum (incl. gas cond; mil. tons)	520	102
Natural Gas (billion meters^3)	597	106
Coal (million tons)	632	101
Steel (million tons)	135	100.6
Fertilizer (million tons)	30.0	104
Metal-cutting Tools (bil. rubles)	2.4	97
Robots (thousand units)	11.9	92
Computer Tech. (billion rubles)	22.1	109
Tractors (million h.p.)	43.0	94
Paper (million tons)	5.1	99.99
Cement (million tons)	114	102
Meat (million tons)	9.2	105
Margarine (million tons)	n.a.	n.a.
Watches (million units)	58.2	99.8
Radios (million units)	6.7	90
TV sets (million units)	7.4	93
Automobiles (thousand units)	1106	100.1

INDUSTRIAL RESULTS FOR THE FIRST 10 MONTHS OF 1987

Gorbachev has a mixture of good and bad news in his industrial production figures. The impact of the quality inspectors continues to be felt. The drop in production overall seems to be slightly less severe than previously for goods that are fabricated or subject to quality problems. However, he now seems to be having some difficulties in the more traditional production industries that have always served as the hallmark of Soviet industry. For example, petroleum production was virtually flat in October 1987 compared to October 1986. Overall oil production was up 2%, but for the month as a whole, it was constant. Offsetting that is the fact, of course, that an earlier month's production did increase so that for the whole ten month period production is up by 9 million tons.

Production of oil and gas condensate is about 9 million tons over what it was last year at this time. Unless something should go seriously wrong in November and December, that would mean that Soviet oil production will hit a new record and will approximate 625 million tons. Prior to this, the production highpoint was in 1983, when production hit 616 million tons. Nonetheless, the fact remains that the rate of growth does seem to have leveled off. The other good news is that coal production rose 3% on an October to October comparison. Considering that for the year as a whole, coal production was only up 1%, clearly October results were good. The most serious setback, however, apparently occurred in the gas industry. Gas production was up only 1.6%, compared to 6% for the whole ten month period. Should the rate of growth continue to fall this way, that could result in very serious problems in gas output. It is seldom that the rate of growth has been that low.

Steel production was virtually constant in October 1987 compared to 1986. Electricity generation was a little better in that output rose 4%. This is comparable to the rate of growth for the whole ten month period.

LIVESTOCK HERDS

Herds	Jan-Oct 1986	Jan-Oct 1987	Jan-Oct1987 as % of 1986
Cattle	95.9	95.4	99.5%
Cows	29.2	28.8	98.6
Hogs	62.2	60.1	96.7
Sheep & Goats	118.3	117.6	99.4
Chickens	766.1	783.8	102.3

LIVESTOCK HERDS CONTINUE TO DIMINISH

Except for poultry, the livestock herds of the Soviet Union continue to diminish. The decline is not as bad as it was in August, which was the last time the Soviets reported figures. Nonetheless, the size of the herds in the extreme case of hogs is down 3.3%. In other instances, it is down approxi-

mately .5%. In the case of poultry, the flocks have increased over 2%. That still suggests, however, the Soviets have some serious problems in finding enough feed grains for their livestock. That helps to explain the Soviet purchase of soybean and soymeal for their livestock.

SOVIET BALANCE OF TRADE WITH EASTERN EUROPE

The most notable feature of the Soviet trade figures with Eastern Europe for the first half of 1987 is that Soviet exports dropped significantly. This again may be a reflection of poor weather. Soviet exports fell by approximately 1 billion rubles. In contrast, however, their imports rose by approximately 700 million rubles. As a consequence, the Soviets managed to convert their trade surplus from close to 1.4 billion rubles to barely a negligible 14 million. Almost all the East European countries, except for Czechoslovkia, found themselves with fewer Soviet imports. The GDR, Poland and Romania have negative trade balances with the Soviet Union, as does Hungary. All the other countries exported more to the Soviet Union than they imported. A larger part of the reason for the fall in the ruble value of exports is the fall in the price of energy. But it also seems as if the Soviets are accepting more East European products. The most extreme such switch occurred in Sovet-Bulgarian trade. Whereas last year, the Soviets had a 200 million ruble surplus, this year they have a 260 million ruble deficit.

SOVIET AGRICULTURE UNDER MIKHAIL GORBACHEV

Our next Corporate Sponsor seminar will take place on February 1, 1988 at the Harvard Faculty Club. We have enclosed a copy of the program and a registration form. Given the fact that agriculture in many ways is either the key or the prime obstacle to Gorbachev's long-term success, this conference should provide us with an important opportunity to hear what kind of progress, if any, is occurring. We will also examine the prospects for exports of grain from the U.S.A. to the U.S.S.R.

The Russian Research Center does not take an official stand on any economic or political trend. The views and analyses expressed in this Newsletter are those of the authors directly associated with the article, or unless otherwise stated, with those of the editors, Marshall I. Goldman and Catherine Reed.

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ARDEN HOUSE 1988: DETENTE REVISITED?

Application forms and programs for the 12th Annual Arden House Conference on American-Soviet Relations will be mailed out the first week in January. The program is virtually complete now. Highlighting the conference will be a keynote address by Ambassdor Jack Malock (his appearance always subject, of course, to international events). In addition, our Congressional Panel now includes Senator Timothy Wirth, Congressman Steny Hoyer and Congressman Les Aucoin. Other panel topics include "Democratization and the Political Process," "Ramifications of Glasnost," "After the Summit: What's Next in Arms Control?" "Lessons from Toshiba," "The Soviet Union and the International Business Community: Joint Ventures and International Agreements," and "The State of Economic Reform." For more information, contact Catherine Reed at (617) 495-4038 or 495-4485.

FOREIGN EXCHANGE INFORMATION

Rubles Purchased per 100	November 11 1987
Austrian shilling	05.13
UK pound	107.69
FRG mark	36.13
USA dollar	60.35
French franc	10.65
Japanese yen	00.447
Italian lira	00.0490
Swiss franc	43.81

SOVIET BALANCE OF TRADE WITH EASTERN EUROPE FOR THE FIRST HALF OF 1982 - 1987

(in million rubles)

	Exports from U.S.S.R.						Imports to U.S.S.R.					
	1982	1983	1984	1985	1986	1987	1982	1983	1984	1985	1986	1987
Bulgaria	2372	2880	3174	3156	3225	3050	2259	2573	2823	2912	3011	3317
Czechoslovakia	2460	2855	3346	3317	3368	3375	2491	2766	2996	3246	3306	3480
GDR	3093	3321	3583	3710	3826	3704	2902	3228	3772	3821	3488	3488
Hungary	1991	1961	2266	2207	2311	2205	1793	1886	2042	2280	2349	2469
Poland	2363	2595	2916	3089	3415	3042	1880	2382	2594	2611	2750	2894
Romania	660	849	952	889	1355	1212	921	891	943	1083	1242	1157
	12940	14461	16237	16368	17500	16588	12246	13726	15170	15953	16146	16805
	+694	+735	+1,067	+415	+1354	-217						

COMMENTARY

Boston Globe, Nov. 22, 1987

Public relations – Soviet style

Examining the book 'Perestroika' – or The World According to Gorbachev

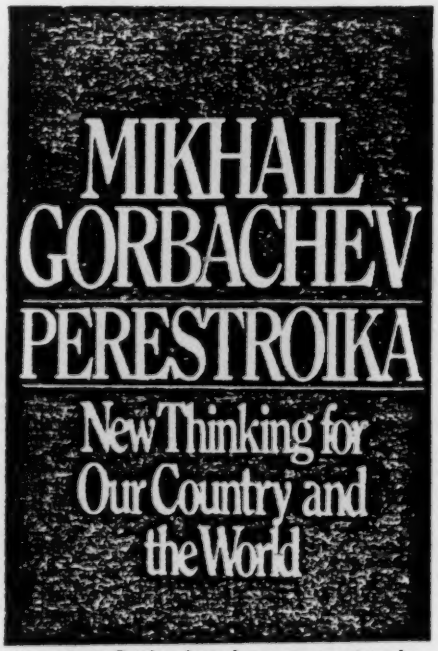
By Mark N. Kramer

Over the last two years, Soviet leader Mikhail Gorbachev has fashioned a wide-ranging program of political and economic reforms, a program known in Russian as perestroika (restructuring). What is curious about the way Gorbachev has been pursuing his reforms is the effort he has made to cultivate Western public opinion.

Certainly no American president, upon launching a major series of domestic changes, would care at all what Soviet officials (or citizens) thought about the changes. Gorbachev, by contrast, has been so concerned about fostering positive Western attitudes toward perestroika that he has occasionally spent more time explaining his ideas to foreign audiences than allaying the concerns of his own public at home. He has also dispatched countless Soviet officials and economists around the United States and western Europe where they can expound on the virtues of the new reform program. And now, Gorbachev has produced a book, "Perestroika: New Thinking for Our Country and the World," which, he claims, will allow him to "talk without intermediaries to the citizens of the whole world."

The book, we are led to believe, was written by Gorbachev during the eight weeks he disappeared from public view in August and September. Whether that story is accurate may never be known outside the Kremlin. But regardless of the precise circumstances surrounding the composistion of "Perestroika," the publication of the book last Wednesday affords at least a glimpse into what the Soviet leader is thinking.

Gorbachev's book is divided into two parts: the first dealing with domestic reforms and economic revitalization, and the second dealing with foreign relations. Although the book is not simply a compilation of past speeches, much of the substance in "Perestroika" has already appeared in one form or another, either in Gorbachev's own statements or in the decrees passed this year by the Soviet Council of Ministers and by the Communist Party's Central Committee. Anyone who turns to the book for a detailed blueprint of where the Soviet Union is heading will be disappointed. It does, however, present a good overview and at least a few observations – especially regarding the opposition that Gorbachev has encountered – that have not appeared elsewhere.



In contrast to Gorbachev's recent speech marking the 70th anniversary of the Bolshevik takeover in Russia, "Perestroika" contains no favorable references to former Soviet leader Nikita Khrushchev. In a number of places, the book also attacks the stagnation and "negative phenomena" that developed in Soviet society in the 1970s and early 1980s during the reign of Leonid Brezhnev. Gorbachev has offered similar criticisms of the Brezhnev era previously, but what is striking upon reading them again is how closely they parallel the criticisms advanced by Western analysts.

Where Gorbachev differs from Western observers is in his belief that these shortcomings are not inherent to the Soviet system. On the contrary, he contends that measures to "perfect" socialism are the only viable course and that after perestroika is completed, "the Soviet Union will gain a new attractiveness and will become the living embodiment of the advantages that are inherent in the socialist system." But perestroika, Gorbachev asserts, cannot be spontaneous: it must be implemented by a kind of "revolution from above," a "revolution (that) requires the demolition of all that is obsolete, stagnant and a hindrance to fast progress."

The problem, then, is that Gorbachev wants things both ways: He acknowledges the stultifying influence of central planning, but says that he still wants to make use of "the advantages of planning." He talks about the need for "democratization," but displays no willingness to streamline the Communist Party's interference in political, economic and social affairs; indeed, according to Gorbachev, "the drive for perestroika has only consolidated the Party's position."

On foreign policy, Gorbachev goes to great lengths to argue that what is good for the Soviet Union is good for the rest of the world. "The truth about perestroika," Gorbachev writes, "accords with the interests of universal peace and international security... The process of perestroika in the Soviet Union holds out fresh opportunities for international cooperation."

Soviet foreign policy, Gorbachev argues, is intimately bound up with the process of domestic reform. The success of perestroika, he maintains, will depend on the maintenance of a placid international environment that will enable him to concentrate on domestic priorities. Thus, it is time for "new thinking" in Soviet foreign policy, especially regarding the fundamental principle that "nuclear war cannot be a means of achieving political, economic, ideological, or any other goals." Much of the rest of the book's discussion of foreign policy, including chapters on the Socialist Commonwealth, the Third World, Europe and US-Soviet relations, is useful only because it fills in the gaps left by Gorbachev's previous speeches. The central theme, again reflecting the Soviet desire for Western approval, is that "the world expects much from our perestroika and is hopeful that (perestroika) will positively affect the entire course of world developments and international relations as a whole." Who could resist such a rosy prognosis?

On balance, what the Gorbachev book amounts to is a sophisticated public-relations job. It is an impressive work that largely avoids the crude propaganda of most other Soviet publications. Yet, however attractive the veneer of "Perestroika" may be, the underlying purpose of the book should not be forgotten, namely, to convince Western publics that "the whole world needs restructuring." That message may prove more dangerous than it seems.

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MOSCOW STALLING

IN AT LEAST one respect the much advertised *glasnost* has not reached the level of political openness practiced under Nikita Khrushchev. Between 1956 and 1964 we were given, though not invariably, the stenographic reports of the sessions of the Central Committee. The reports were, to be sure, occasionally bowdlerized. Still, the practice accorded the Soviet citizen, as well as us in the West, an occasional insight into the doings at the approaches to the Communist Olympus, the Politburo. Well, that useful practice has not yet been reintroduced by Gorbachev, and so we are left with just rumors of what happened at the very important Central Committee meeting on October 21, which, according to the official communiqué, "considered problems connected with the 70th anniversary of the Great October Revolution and some current issues."

As it is we must try to reconstruct what is obviously a very volatile Kremlin scene in the light of circumstantial evidence. One clue is found in the fact that it was almost immediately following the Plenum that Gorbachev astounded Secretary of State George Shultz by declaring that in view of the Reagan administration's position on SDI, he would not visit Washington this year. Thus there has to be a strong presumption that the October 21 meeting bared and probably aggravated a split within the Politburo concerning domestic policies, and that in view of this the general secretary felt that he could not absent himself from the scene of the struggle even for a few days, SDI being merely a convenient excuse.

It is then *perestroika* and *glasnost* and not foreign policy that are the main objects of contention within the ruling elite. And it is clear that within this context it is Soviet history that constitutes one of the main battlegrounds of the struggle. History in the Soviet Union (and, for that matter, though not to the same extent, in pre-1917 Russia) has always been considered too important to be left to historians. When it comes to political history it has, since Stalin, been the general secretary who ex officio is also the historian-in-chief. Therefore it is not surprising that it was the historical part of Gorbachev's speech that was most eagerly awaited by both the Party and society at large. Was the general secretary going to condemn Stalin as a leader and man without qualifications? Was he going to rehabilitate *fully* those Bolshevik bigwigs (practically all of Lenin's old guard) who became Stalin's victims?

THE RELEVANT PARTS of the speech fell quite short of such expectations. Reading them one gets a strong impression that they represent a compromise between the advocates of greater candor about the past (and presumably more openness now) and those oligarchs who believe, as Satchel Paige once put it, "Don't look behind, something might be catching up with you." Stalin is criticized, and severely, but Gorbachev still felt constrained to praise him as the man who led the fight against Trotskyism, and who during World War II displayed "tremendous political resolve and . . . the talent for organization and for disciplining people"—in some ways a less severe judgment on the tyrant than that rendered by Khrushchev in his time. Gorbachev also disappointed those who expected him to repudiate once and for all the opprobrious and false charges preferred against those Old Bolsheviks whom Stalin sent to their doom. The only one among them who had previously not been rehabilitated, and whom the general secretary saw fit to praise—mildly, was Bukharin. Ironically enough, that praise was in connection with Bukharin's struggle against Trotsky, some incidents of which are in fact among the less creditable events of Bukharin's career. Few could have expected a full rehabilitation of Trotsky, but many in and outside the Party must have been astounded by Gorbachev's entirely negative evaluation of the organizer of the Red Army. Nor, one feels, could the implications of the historical part of the address advance the case dear to the general secretary's heart, that of *perestroika*. Supposedly a cardinal part of the latter has to be a radical restructuring, it not abolition, of the collective farm system. Speaking of the forcible collectivization of Soviet agriculture under Stalin, a feat of brutal social engineering that cost millions of lives, Gorbachev acknowledged that indeed there had been excesses in dealing with the peasants, but on the whole "collectivization meant a basic transformation of the entire mode of life of the majority of the population, and placed it upon socialist foundations." If so, wouldn't a radical modification of the system mean a turn toward capitalism?

And so, as the Yeltsin affair also showed, the general secretary has a struggle on his hands in domestic policy. But it is at least premature to think that he himself is in danger of being overthrown. Even those oligarchs dubious of *perestroika* must realize that it would be a severe blow to the prestige of the Party, and indeed the Soviet system, to topple the first dynamic leader the country has had in years and to replace him with a gray bureaucrat à la Chernenko.

While embattled on the domestic front, Gorbachev appears to have the solid backing of the leadership on foreign policy. This was reflected in the much more self-assured tone of his November 2 speech when it came to the survey of international affairs. Unlike similar exercises by his predecessors, this survey included relatively few pejorative stereotypes about the West in general, and the United States in particular. Rather than gloating over the stock market crash and portraying it as yet another harbinger of the eventual doom of capitalism (e.g., Brezhnev in 1981: "Capitalism is a system with no future"), Gorbachev cited it to support the argument that it is in the West's own interest to reduce the burden of armaments. He also appeared to hint that the U.S.S.R. would no longer ride herd on other countries of the "socialist camp" as it had in the past: "All the Communist parties are fully and irreversibly self-governing. . . . The period of the Comintern, Cominform, and even of *binding* international consultation has passed."

Has the Kremlin thus forsaken its expansionist ways, and is it ready to watch with equanimity when a Solidarity-like movement erupts in one of its Eastern European client states? No, it would be as fatuous to come to that conclusion as to believe that what Gorbachev has in mind for his own country is Western-style political pluralism and democracy. He has not become the general secretary to preside over the liquidation of the Communist empire. Rather, the underlying sense of his speech is meant to convey what a czarist prime minister, Stolypin, had in mind when in 1908 he proclaimed that the country needed

GORBACHEV ASSAILS CRIMES OF STALIN, LAUDS KHRUSHCHEV

—*New York Times*, November 3

Gorbachev Bends to Hard-Liners By Hedging His Attack on Stalin

—*Wall Street Journal*, same day

a period of peace and internal reform, and "then you will not recognize Russia . . . and what the Russian government says will have to be listened to by Europe, by the whole world."

If the Soviet Union enters upon a period of imparting new dynamism to its economy and society, it is so as to compete more effectively on the global scale with the West. It is the Kremlin's realization of the enduring strength and viability of the great industrial democracies that has provided much of the impetus behind its current domestic and foreign policies. And so it would only be through realistic bargaining and not through one-sided concessions that the West could persuade the Soviet leaders that it is not only an agreement on nuclear arms control but a search for genuine world stability that is as much in their interest as in ours.

ADAM B. ULAM

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A Preview of Coming Attractions

With Conservatives On the Attack, Can Gorbachev Hang On?

By MARSHALL I. GOLDMAN

Is Mikhail S. Gorbachev in trouble? It is hard to believe that a Soviet leader who is about to participate in a Washington summit meeting with his American counterpart could be facing open opposition. Yet the humiliating dismissal of Boris N. Yeltsin from his post as head of the Moscow party and government apparatus and the all-out attack on democratization in Pravda on Monday have to be regarded as a serious setback for Gorbachev.

Moreover, the way Yeltsin was fired, and the events leading up to his dismissal, suggest that this may indeed be a preview of coming attractions, the dismissal of General Secretary Gorbachev himself.

Nothing quite like the firing of Yeltsin and such a broadside attack on democratization has occurred since Gorbachev assumed control. Certainly, Communist Party officials have been fired; for that matter Viktor V. Grishin, Yeltsin predecessor, was fired. But Grishin was fired for obstruction, incompetence and knavery, not because he believed too much in the reform process. Similarly democratization and *glasnost* have also been attacked, but never in such an all-out way and in such an important paper as Pravda.

There is no reason why the reform process in the Soviet Union cannot suffer setbacks. After all, this seems to happen in China every few months and yet the reforms continue. Moreover, Soviet reformers defend what is happening in their country by criticizing American observers for not applauding debate and discussion in the Politburo and the Central Committee when for years, we in the United States berated them because there were no differences of opinion and everything was decided unanimously. But there are more sinister implications here.

Several aspects of Yeltsin's dismissal were particularly distressing. The fact that he found it necessary to criticize himself for his ambitions and selfishness is reminiscent of tactics used by Josef Stalin during the purges and Mao Tse-tung during the Cultural Revolution. In contrast, when Hu Yaobang was removed as the Chinese Communist Party secretary a few months ago, he made no such self-criticisms. After all, Yeltsin's greatest shortcoming was that he was too passionate about the economic and political reforms Gorbachev was espousing and worked too hard to bring them into being.

Equally distressing for those of us not on a Central Committee, and that must include many members of the Soviet intelligentsia, is the fact that not only was there a unanimous vote against Yeltsin, but that those who attacked him did so with such vehemence and malice. In fact, that makes it all the more likely that Yeltsin's real sin was in being too thorough in his crackdown on the Moscow bureaucrats. Coming from Sverdlosk, he felt few ties to the existing bureaucracy and so he began a wholesale housecleaning. This was received with something less than enthusiasm within the bureaucracy. In a letter to a Moscow newspaper, the wife of one bureaucrat warned Yeltsin, "Don't snipe at us . . . you are not strong enough. We will rip up the puny sails of your economic restructuring and you will be unable to reach your destination." Another caution, "Go back to Sverdlosk while you still have time." And as they threatened, these bureaucrats got him before he got them.

What should make Gorbachev nervous about all of this is that he has been no less committed to the purge of inept, corrupt and bypassed bureaucrats. However, this has not been at the Moscow level, but at the national level. Those bureaucrats who have not yet been purged are opposed to Gorbachev just as they were to Yeltsin.

Nor does the similarity stop there. There is almost nothing in Yeltsin's speeches that has not appeared in Gorbachev's pronouncements. That includes criticisms of subordinates by name, including those appointed by Gorbachev himself. If anything, Gorbachev has been even more passionate in his commitment to economic reform and his criticisms of what heretofore has been trumpeted widely as past Soviet achievements. No such thing, insists Gorbachev. In referring to the reasons why he wanted economic reforms, Gorbachev explained in Riga last February that the economy "had gone downhill so that it stank." He described the Soviet economy today as being in a "pre-crisis condition."

Such criticisms have not been received kindly by more conservative members of the Politburo like Yegor K. Ligachev, the second most powerful member of the Politburo, and Viktor M. Chebrikov, the head of the KGB. Ligachev, for example, complained in August that people abroad and even "some people in our own country tried to denigrate the entire path of the building of socialism in the U.S.S.R. and present it as an unbroken chain of errors." That is not only a criticism of Yeltsin, but Gorbachev as well.

Chebrikov has had his say as well, which in light of Pravda's attack on democratization must be especially chilling. In his speech in September, Chebrikov criticized those in the West who seek to instill "in Soviet people the bourgeois understanding of democracy . . . install political and ideological pluralism . . . and plant the virus of nationalism." Given that since September of 1986, Gorbachev has repeatedly insisted that "all of us, comrades, must start learning to work in conditions of extended democracy," that "one must not be afraid of the process of democratization" and that those who oppose democracy "do not believe in our people," it is impossible to escape the conclusion that Pravda's attack on democratization is directed in whole or in large part at Gorbachev.

That Gorbachev has continued to defend his push for democratization, even after the Pravda article, suggests that he is as yet still in charge. Indeed, the fact that Yeltsin was named first deputy chairman of the Soviet State Committee for Construction shows that Gorbachev is willing and able to prevent Yeltsin's complete disgrace. But it is ironic that Gorbachev, like Ronald Reagan, will come to the summit meeting worried by attacks on his domestic policies. That is why both men need each other and an international agreement.

Marshall I. Goldman is professor of economics at Wellesley College and associate director of the Russian Research Center at Harvard University.